

**California Floor Price Committee
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August 13, 2010

A.G. Kawamura, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

**Re: Petition for Emergency Hearing to Floor the All Milk Price.
Amendments to the Stabilization and Marketing Plans for Market Milk
Northern and Southern California Marketing Areas**

Dear Mr. Kawamura:

Pursuant to Articles 4 through 9, Chapter 2, Part 3, Division 21 of the California Food and Agricultural Code, as implemented by Title 3, Section 2080.2 of the California Code of Regulations, the California Floor Price Committee requests an Emergency Hearing to **floor the all milk price by establishing a minimum price for the components used in determining the minimum monthly price for each class of milk and milk products.** We request that these changes be implemented on an emergency basis for a minimum of two years, and subject to review by further hearing at that time. Please accept this letter as an addition and amendment to our previous request letter of June 29, 2010, with over 400 attached petitions.

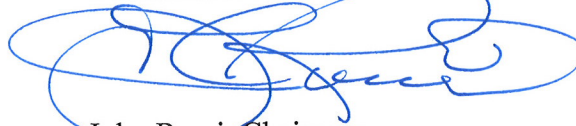
Enclosed please find pages 5, 6, 8 and 9 of the current Stabilization and Marketing Plan for Market Milk, as Amended, for the Northern California Marketing Area. By reference, please find the changes and additions requested as set forth in red on pages 6, 8, and 9. This request also includes making comparable changes for the Southern California Marketing Area.

Because of its ongoing Cost of Production studies, the California Department of Food and Agriculture (CDFA) is well aware that the relentless, severe, economic hardships suffered by California dairymen during 2009 have not abated during the first half of 2010. Dairymen are broke, their suppliers and banks are owed hundreds of millions of dollars, and they are denied further credit. Dairies continue to go out of business and milk producers continue to operate at a loss. Now is the time for CDFA to act and save what remains of the California dairy industry.

The California Floor Price Committee believes that the changes requested will result in a minimum floor price of at least \$14.50 for all California dairymen on a continuing basis. To prevent undercutting of this floor by imported milk and milk products into California, whether domestic or foreign, we are also asking CDFA to institute a Compensatory Payment Program to be administered by CDFA. Under such a Program, all such imported milk and milk products would be required to sell at a price, or prices, which at least equal the corresponding Class Price then being paid to California dairymen. CDFA would retain any monies collected in the enforcement of this program.

The California Floor Price Committee requests that CDFA call an Emergency meeting no later than September 15, 2010, to consider and implement these requests. Your consideration of this Emergency Petition is greatly appreciated.

California Floor Price Committee



John Rossi, Chairman

Enclosure

cc: Arnold Schwarzenegger, Governor
Jerry Brown, Attorney General
A. J. Yates, Office of the Secretary (w/ encl)
Kevin Masuhara, Director, Marketing Services (w/ encl)
Candice Gates, Acting Dairy Marketing Branch Chief (w/ encl)
Hiram Eastman, Agricultural Economist, Dairy Marketing Branch (w/encl)

Section 100.12. "Market milk" means any and all whole or concentrated milk that is produced in conformity with provisions of Chapter 1, Part 1, Division 15 of the Food and Agricultural Code and other applicable health regulations for market milk of the place where such milk is consumed.

Section 100.13. "Producer's dairy location" means a point where the milk house is situated and includes a platform or other pickup point at or near the milk house where the producer has customarily placed milk to be picked up by the handler.

Section 100.14. "Refrigeration equipment" means direct expansion or brine refrigeration, compressors, coolers, or any combination of such equipment.

Section 100.15. "Standardized milk" means milk which has been brought to a uniform milk fat and/or milk solids-not-fat content different from that of such milk at the time it was produced. Standardization of milk may be accomplished by the addition or subtraction of skim milk, cream, whole milk, or any condensed form of these three.

Section 100.16. "Container" means any package in which milk is packaged for distribution to consumers.

Section 100.17. "Handlers' plant" means any building in which a handler receives, weighs, tests, standardizes or processes market milk, or manufactures such into dairy products.

Section 100.18. "Receive milk" means to convey milk physically into a milk plant where it is utilized within the plant, or stored within such milk plant and transferred to another plant for utilization.

Section 100.19. "Mandatory Class 2" or "Mandatory Class 2 product" means any Class 2 product which must be made from market milk.

Section 100.20. "Pool plant" is as defined in Section 106 of the Pooling Plan.

Section 100.21. "Nonpool plant" is as defined in Section 111 of the Pooling Plan.

Article II - Description of Boundaries of Northern California Marketing Area

Section 200.0. "Northern California Marketing Area" refers to all portions of Alameda, Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Kern, Kings, Lake, Lassen, Madera, Marin, Mariposa, Mendocino, Merced, Modoc, Monterey, Napa, Nevada, Placer, Plumas, Sacramento, San Benito, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yolo, Yuba Counties. All of said Area being within the State of California, or as such Area may hereafter be modified by the Secretary of Food and Agriculture.

Article III - Class Prices

Section 300.0. The minimum class prices for the milk fat and skim milk components of market milk, market cream, and market skim milk f.o.b. the pool plant or nonpool plant located within this Marketing Area where the milk was first received from producers, shall be as follows:

(A) The minimum monthly prices for components used for Class 1 shall be determined prior to the beginning of each month, using the following formulas and procedures, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

- (1) For all milk fat, not less than the price per pound computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less a butter adjuster of thirteen and fifteen hundredths cents (\$0.1315), and the result multiplied by a yield factor of 1.2.
- (2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Commodity Reference price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, minus twenty and three-tenths cents (\$0.203), less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.76 and divided by 8.7.
- (3) For all fluid carrier, not less than the price per pound computed by the formula using the Commodity Reference Price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, minus twenty and three-tenths cents (\$0.203), less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.24 and divided by 87.8, and then \$0.0031 per pound subtracted from the result.
- (4) The Commodity Reference Price per hundredweight shall be the higher of either:
 - (a) The sum of the following three formulas:
 - (i) The price per hundredweight computed by the formula using the Cheddar cheese price determined pursuant to Subparagraph (A)(6) of this Section, multiplied by a Cheddar cheese yield factor of nine and eight-tenths (9.8).
 - (ii) The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less ten cents (\$0.10), all multiplied by a whey butter yield factor of twenty-seven-hundredths (0.27).
 - (iii) The price per hundredweight computed by the formula using the dry whey price determined pursuant to Subparagraph (A)(7) of this Section multiplied by a dry whey yield of 5.8, all less a dry whey adjuster of eighty-five cents (\$0.85).
 - (b) The sum of the following two formulas:

- (i) The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, multiplied by a butter yield factor of 1.2, and the result multiplied by 3.5.
 - (ii) The price per hundredweight computed by the formula using the nonfat dry milk price determined pursuant to Subparagraph (A)(8) of this Section, multiplied by a nonfat dry milk yield factor of 0.99, and the result multiplied by 8.7.
- (5) The butter price used in calculations pursuant to Paragraph (A) shall be a **\$1.40 per lb. or the higher of** the simple average of the daily closing Grade AA butter prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange Grade AA butter prices are not available to calculate the butter price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the butter price used in the previous month's calculation.
- (6) The Cheddar cheese price used in calculations pursuant to Paragraph (A) shall be a **\$1.65 per lb. or the higher of** the simple average of the daily closing 40 pound block Cheddar cheese prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange 40 pound block Cheddar prices are not available to calculate the Cheddar cheese price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the Cheddar cheese price used in the previous month's calculation.
- (7) The dry whey prices used in calculations pursuant to Paragraph (A) shall be a **\$.3863 per lb. or the higher of** the two most recent weekly, simple average of the Dry Whey – West Mostly prices as published in Dairy Market News available on the 10th day of the previous month.
- (8) The nonfat dry milk price used in calculations pursuant to Paragraph (A) shall be a **\$1.25 per lb or the higher of** the weighted average of the two most recent weekly price reports for nonfat dry milk f.o.b. California manufacturing plants available on the 10th day of the previous month. The weekly reports are used to calculate the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants for the seven day period ending on Friday as reported by the California Department of Food and Agriculture.
- (9) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 1 prices shall be increased by the following amounts:
 - (a) For milk fat, five and seven-tenths mils (\$0.0057) per pound.
 - (b) For milk solids-not-fat, two and three-tenths mils (\$0.0023) per pound.
 - (c) For fluid carrier, one-tenth mil (\$0.0001) per pound.

- (a) For milk fat, seven and one-tenth mills (\$0.0071) per pound.
- (b) For milk solids-not-fat, two and nine-tenths mills (\$0.0029) per pound.
- (4) The time periods for the Average Class 4a fat price used in Subparagraph (C)(1) and the Average Class 4a solids-not-fat price used in Subparagraph (C)(2) of this Section shall be those in Subparagraph (B)(5) of this Section.
- (D) The minimum prices to be paid for components used for Class 4a shall be computed as follows, **except as such formulas and procedures may be modified by Paragraph (H) of this Section:**
- (1) For all milk fat, not less than the price per pound computed by the formula using the butter price, less an f.o.b. California price adjuster of three and nine hundredths cents (\$0.0309), less a manufacturing cost allowance of fifteen and six tenths cents (\$0.156), and the result multiplied by a yield factor of one and two-tenths (1.2).
- (2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the nonfat dry milk price, less a manufacturing cost allowance of sixteen and ninety-eight hundredths cents (\$0.1698), multiplied by a yield factor of one (1.0).
- (3) The butter prices used in calculations pursuant to this Paragraph shall be **a \$1.40 per lb. or the higher of** the simple average of the Grade AA butter price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- (4) The nonfat dry milk prices used in calculations pursuant to this Paragraph shall be **a \$1.25 per lb. or the higher of** the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants for the period beginning the 26th day of the previous month and concluding the 25th day of the current month, as reported by the California Department of Food and Agriculture for the month.
- (5) In the event that the Chicago Mercantile Exchange Grade AA butter price is not available to calculate the current Class 4a fat price, pursuant to Subparagraph (D)(1), then used in its place shall be the Chicago Mercantile Exchange Grade AA butter price used in the prior month's calculation of the Class 4a fat price. All other Paragraphs that use the Class 4a fat price shall operate as if the price had been established pursuant to Subparagraph (D)(1).
- (6) In the event that the California weighted average nonfat dry milk price is not available to calculate the current Class 4a solids-not-fat component price, pursuant to Subparagraph (D)(2), then used in its place shall be the California weighted average nonfat dry milk price used in the prior month's calculation of the Class 4a solids-not-fat price. All other Paragraphs that use the Class 4a solids-not-fat price shall operate as if the solids-not-fat price had been established pursuant to Subparagraph (D)(2).

(E) The minimum prices to be paid for components used for Class 4b shall be computed as follows, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

- (1) The Cheese hundredweight price shall be the price per hundredweight computed by the sum of the following:
 - (a) The price per hundredweight computed by the formula using the Cheddar cheese price, less an f.o.b. California price adjuster of two and fifty-two hundredths cents (\$0.0252), less a Cheddar cheese manufacturing cost allowance of nineteen and eighty-eight hundredths cents (\$0.1988), all multiplied by a yield factor of ten and two-tenths (10.2).
 - (b) The price per hundredweight computed by the formula using the butter price, less a manufacturing cost allowance of fifteen and six tenths cents (\$0.156), less ten cents (\$0.10), all multiplied by a yield factor of twenty-seven-hundredths (0.27).
 - (c) The constant whey factor of twenty-five cents per hundredweight (\$0.25).
- (2) For all milk fat, not less than the price per pound computed pursuant to Subparagraph (D)(1) of this Section.
- (3) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Cheese hundredweight price established pursuant to Subparagraph (E)(1) less the product of three and seventy-two hundredths (3.72) multiplied by the Class 4b fat price established pursuant to Subparagraph (E)(2), all divided by eight and eighty hundredths (8.80).
- (4) The Cheddar cheese prices used in calculations pursuant this Paragraph shall be a \$1.65 per lb. or the higher of the simple average of the 40 pound block Cheddar cheese price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- (5) The butter prices used in calculations pursuant this Paragraph shall be a \$1.40 per lb. or the higher of the simple average of the Grade AA butter price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- (6) In the event the Chicago Mercantile Exchange 40 pound block Cheddar cheese price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the cheese price used in the prior month's calculation of the Cheese hundredweight price.
- (7) In the event that the Chicago Mercantile Exchange Grade AA butter price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the Grade AA butter price used in the prior month's calculation of the Cheese hundredweight price.